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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

-----X
In re:

AFFAIRS AFLOAT, INC.

Chapter 11
Case No. 13-13356 (BRL)

Debtor.
-----X

**DECLARATION OF PETER LERNER PURSUANT TO LOCAL
BANKRUPTCY RULE 1007-2**

PETER LERNER, being duly sworn, deposes and says:

1. I am the President and 100% shareholder of Affairs Afloat, Inc. (the "Debtor"). I submit this affidavit pursuant to Rule 1007-2 of the Local Rules for the United States Bankruptcy Court for the Southern District of New.

BACKGROUND

2. The Debtor is engaged in the business of owning and operating a Passenger cruise boat known as *The Star of Palm Beach* (the "The Star").

3. The Debtor has been operating a local New York Harbor sightseeing and special event business aboard a passenger ferry since 1999. The events serve diverse groups of New Yorkers from schools and "Kiddie Cruises with Parents" to after work events.

4. The Debtor has experienced a downturn in income as a result of a number of primary overlapping issues as follows: The delayed start of two Seasons in 2011 and 2012 due to maintenance issues which were resolved; the events of Hurricane Sandy in 2012 canceled the majority of Fall and Winter business, costing over \$150,000 in income losses and clientele which were never recovered or returned; a delayed start to the 2013 Season due to servicing vessel and cash flow; the loss of dockage at a Public Pier in NYC where the Debtor's vessel was berthed for ten years. The loss of the local dockage rights from the Hudson River Trust caused the Debtor to pay for overnight dockage in Brooklyn and pick up and drop off dockage in the City for its events, resulting in over \$100,000 in additional costs.

5. The primary reason the Debtor is seeking the protections of Chapter 11 is to protect its most valuable asset, the Star, while seeking financing alternatives or a sale of The Star.

6. Pending such strategic transaction, the Vessel is being maintained and insured and kept current with all required US Coast Guard and other necessary certifications.

7. The Debtor intends to utilize the Chapter 11 process to restructure its secured and unsecured debt. The Debtor is confident that proceeding in Chapter 11 is in the best interest of the Debtor, its estate and the creditors as a whole.

8. The needs and interests of the Debtor's creditors will best be served by the continued possession of its property and management of its affairs as a debtor-in-possession under Chapter 11 until a restructuring plan can be formulated and presented to creditors.

PART II

INFORMATION REQUIRED BY LOCAL BANKRUPTCY RULE 1007

9. In addition to the foregoing, Local Bankruptcy Rule 1007-2 requires certain information related to the Debtor, which is set forth below.

Local Rule 1007-2(a)(1)

10. The Debtor's offices are located at 1632 York Avenue, New York, NY ("Office"). The Debtor is engaged in the business of owning and operating a luxury rental cruise boat known as *The Star*, which is located at New York, New York.

Local Rule 1007-2(a)(2)

11. This case was not originally commenced under Chapter 7 or 13 of title 11 of the United States Code, 11 U.S.C. §§ 101, *et seq.*

Local Rule 1007-2(a)(3)

12. Upon information and belief, no committee was organized prior to the order for relief in this Chapter 11 case.

Local Rule 1007-2(a)(4)

13. A list of the names and addresses of the Debtor's 20 largest unsecured claims, excluding those who would not be entitled to vote at a creditors' meeting and creditors who are "insiders" as that term is defined in 11 U.S.C. Section 101(31) is annexed hereto as **Schedule I**.

Local Rule 1007-2(a)(5)

14. The Debtor has three secured creditors: (i) HSBC Bank USA, National Association in the amount of approximately 275,000; (ii) Small Business Administration in the amount of approximately \$400,000; and (iii) Afloat NYC Inc. (disputed) in the amount of approximately \$325,000.

Local Rule 1007-2(a)(6)

15. A summary of the Debtor's assets and liabilities will be filed with the Debtor's Schedules of Assets and Liabilities and Statement of Financial Affairs on October 30, 2013.

Local Rule 1007-2(a)(7)

16. There are no publicly held securities of the Debtor.

Local Rule 1007-2(a)(8)

17. None of the Debtor's property is in the possession of any custodian, public officer, mortgagee, pledge, assignee of rents, or secured creditor, or any agent for such entity.

Local Rule 1007-2(a)(9)

18. The Debtor is party to several leases relating to its office space and dock sites. A schedule of leases will be provided with the Debtor's Schedules of Assets and Liabilities on October 30, 2013.

Local Rule 1007-2(a)(10)

19. The Debtor's books and records and substantial assets are located at the Office.

Local Rule 1007-2(a)(11)

20. The following litigation is pending against the Debtor:

Hobbs v. Affairs Afloat, Inc., Et Al., U.S. District Court, SDNY, Index No. 11-2844.

Local Rule 1007-2(a)(12)

21. The Debtor is currently managed by Deponent and Steven Salsberg who has done so since 1999. Deponent and Mr. Salsberg are responsible for all of the Debtor's operations.

Local Rule 1007-2(b)(1) and (2)

22. The Debtor's estimated weekly payroll and payments to officers, stockholders, and directors for the thirty (30) day period following the Chapter 11 petition is \$ -0- .

23. The Debtor's estimated payroll to employees for the thirty (30) day period following the Chapter 11 petition is \$20,000.

Local Rule 1007-2(b)(3)

24. A schedule, for the 30 day period following the filing of the chapter 11 petition, of estimated cash receipts and disbursements, net cash gain or loss, obligations and receivables expected to accrue but remain unpaid, other than professional fees is annexed as **Schedule II**.

CONCLUSION

Pursuant to 28 U.S.C. § 1746, I declare under the penalty of perjury that the foregoing is true and correct.

/s/ Peter Lerner
Peter Lerner, President

SCHEDULE I

TWENTY LARGEST UNSECURED CREDITORS

See Attached

B4 (Official Form 4) (12/07)

United States Bankruptcy Court
Southern District of New York

In re Affairs Afloat, Inc.

Debtor(s)

Case No. 13-13356

Chapter 11

LIST OF CREDITORS HOLDING 20 LARGEST UNSECURED CLAIMS

Following is the list of the debtor's creditors holding the 20 largest unsecured claims. The list is prepared in accordance with Fed. R. Bankr. P. 1007(d) for filing in this chapter 11 [or chapter 9] case. The list does not include (1) persons who come within the definition of "insider" set forth in 11 U.S.C. § 101, or (2) secured creditors unless the value of the collateral is such that the unsecured deficiency places the creditor among the holders of the 20 largest unsecured claims. If a minor child is one of the creditors holding the 20 largest unsecured claims, state the child's initials and the name and address of the child's parent or guardian, such as "A.B., a minor child, by John Doe, guardian." Do not disclose the child's name. See 11 U.S.C. § 112; Fed. R. Bankr. P. 1007(m).

(1) <i>Name of creditor and complete mailing address including zip code</i>	(2) <i>Name, telephone number and complete mailing address, including zip code, of employee, agent, or department of creditor familiar with claim who may be contacted</i>	(3) <i>Nature of claim (trade debt, bank loan, government contract, etc.)</i>	(4) <i>Indicate if claim is contingent, unliquidated, disputed, or subject to setoff</i>	(5) <i>Amount of claim [if secured, also state value of security]</i>
NYS Sale Tax Processing JAF Building P.O. Box 1208 New York, NY 10116-1208	NYS Sale Tax Processing JAF Building P.O. Box 1208 New York, NY 10116-1208			41,451.00
500 East Ltd. Gregory C. Soumas, Esq. 377 Broadway New York, NY 10013	500 East Ltd. Gregory C. Soumas, Esq. 377 Broadway New York, NY 10013			35,798.50
SANDRA GREER R.E., INC. 201 EAST 77TH STREET New York, NY 10075	SANDRA GREER R.E., INC. 201 EAST 77TH STREET New York, NY 10075			35,348.50
Joyce Moy	Joyce Moy			28,000.00
Anthony Mazza 5519 30th Place NW Washington, DC 20015	Anthony Mazza 5519 30th Place NW Washington, DC 20015			20,000.00
Midtown Loft 267 Fifth Avenue #100 New York, NY 10016	Midtown Loft 267 Fifth Avenue #100 New York, NY 10016			16,000.00
Internal Revenue Service PO Box 7346 Philadelphia, PA 19101-7346	Internal Revenue Service PO Box 7346 Philadelphia, PA 19101-7346			12,326.00
BillyBey Ferry Company Jonathan Figueroa 4800 Ave at Port Imperial Blvd Weehawken, NJ 07086	BillyBey Ferry Company Jonathan Figueroa 4800 Ave at Port Imperial Blvd Weehawken, NJ 07086	Dock Lease Arrears		10,500.00
NYS Department of Tax & Finance Bankruptcy/Special Procedures 15 MetroTech Center 5th Floor Brooklyn, NY 11201	NYS Department of Tax & Finance Bankruptcy/Special Procedures 15 MetroTech Center 5th Floor Brooklyn, NY 11201			7,852.00
JOSHUA E ABRAHAM, ESQ. 380 MADISON AVENUE 22ND FLOOR New York, NY 10017	JOSHUA E ABRAHAM, ESQ. 380 MADISON AVENUE 22ND FLOOR New York, NY 10017			7,454.50

B4 (Official Form 4) (12/07) - Cont.
In re Affairs Afloat, Inc.

Case No. 13-13356

Debtor(s)

LIST OF CREDITORS HOLDING 20 LARGEST UNSECURED CLAIMS
(Continuation Sheet)

(1) <i>Name of creditor and complete mailing address including zip code</i>	(2) <i>Name, telephone number and complete mailing address, including zip code, of employee, agent, or department of creditor familiar with claim who may be contacted</i>	(3) <i>Nature of claim (trade debt, bank loan, government contract, etc.)</i>	(4) <i>Indicate if claim is contingent, unliquidated, disputed, or subject to setoff</i>	(5) <i>Amount of claim [if secured, also state value of security]</i>
Captains Courageous	Captains Courageous			6,258.43
GOODSELL MARINE INC 234 BETTES AVE Bronx, NY 10473	GOODSELL MARINE INC 234 BETTES AVE Bronx, NY 10473			6,250.00
STONEWALL SOLUTIONS LLC TWO STONEWALL CIRCLE West Harrison, NY 10604	STONEWALL SOLUTIONS LLC TWO STONEWALL CIRCLE West Harrison, NY 10604			6,000.00
NYS Unemployment Insurance Fund P.O. Box 551 Albany, NY 12201	NYS Unemployment Insurance Fund P.O. Box 551 Albany, NY 12201			5,504.00
FINO 1 WALL STREET CT New York, NY 10005	FINO 1 WALL STREET CT New York, NY 10005			5,420.00
Studio 450 450 W. 31st Street New York, NY 10001	Studio 450 450 W. 31st Street New York, NY 10001			5,000.00
Metro New York Inc. 120 Broadway 6th Floor New York, NY 10271	Metro New York Inc. 120 Broadway 6th Floor New York, NY 10271			4,700.00
KENNY STEARNS ZONGHETTI LLC 26 BROADWAY 27TH New York, NY 10004	KENNY STEARNS ZONGHETTI LLC 26 BROADWAY 27TH New York, NY 10004			4,556.10
MANDY FORLENZA	MANDY FORLENZA			4,500.00
Action Environmental Services P.O. Box 2698 Newark, NJ 07114	Action Environmental Services P.O. Box 2698 Newark, NJ 07114			4,272.02

**DECLARATION UNDER PENALTY OF PERJURY
ON BEHALF OF A CORPORATION OR PARTNERSHIP**

I, the Chairman of the corporation named as the debtor in this case, declare under penalty of perjury that I have read the foregoing list and that it is true and correct to the best of my information and belief.

Date October 25, 2013

Signature

Peter Lerner
Chairman

Penalty for making a false statement or concealing property: Fine of up to \$500,000 or imprisonment for up to 5 years or both.
18 U.S.C. §§ 152 and 3571.

SCHEDULE II

30 DAY INCOME AND EXPENSE PROJECTION

See Attached

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04/24/13

Accrual Basis

AFFAIRS AFLOAT, INC.**Profit & Loss**

January through December 2013

	W/E 10/18	W/E 10/25
Income Collected	<u>4,700</u>	<u>3,500</u>
Total Cash Received	<u>4,700</u>	<u>3,500</u>
Expenses to Be paid		
BEVERAGE		3,000
DJ/ENTERTAINMENT		500
LAND SPACE RENTAL		
LABOR COSTS		
LIQUOR		
MARINE EXPENSES		3,000
OTHER COST OF GOODS SOLD		
ADVERTISING	500	-
INSURANCE - MARINE	-	5,400
INSURANCE - HEALTH	-	8,208
INTERNET CHARGES	-	-
PROFESSIONAL FEES	1,500	-
RENT - DOCKAGE**	10,000	6,000
RENT - OFFICE	-	-
REPAIRS & MAINT/ TONY WINTER	1,250	1,250
STORAGE	275	-
UTILITIES	-	-
LABOR COSTS - GENERAL AND ADMIN	4,460	4,460
HSBC	-	-
Total Cash paid out	<u>17,985</u>	<u>31,818</u>
Cash Deficit per week	<u>(13,285)</u>	<u>(28,318)</u>
Cummulative Deficit		<u>(41,603)</u>

****At some point during this period we
may need \$20,000 to settle with the Piers**

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04/24/13

Accrual Basis

AFFAIRS AFLOAT, INC.**Profit & Loss**

January through December 2013

	W/E 11/1	W/E 11/8
Income Collected	12,000	-
Total Cash Received	12,000	-
Expenses to Be paid		
BEVERAGE		
DJ/ENTERTAINMENT	1,500	
LAND SPACE RENTAL		
LABOR COSTS	3,750	
LIQUOR		
MARINE EXPENSES		
OTHER COST OF GOODS SOLD		
ADVERTISING	-	-
INSURANCE - MARINE	-	-
INSURANCE - HEALTH	2,329	6,601
INTERNET CHARGES	670	-
PROFESSIONAL FEES	-	-
RENT - DOCKAGE**		5,000
RENT - OFFICE	3,675	-
REPAIRS & MAINT/ TONY WINTER	1,250	1,250
STORAGE	275	-
UTILITIES	250	-
LABOR COSTS - GENERAL AND ADMIN	4,460	4,460
HSBC	-	2,400
Total Cash paid out	18,159	19,711
Cash Deficit per week	(6,159)	(19,711)
Cummulative Deficit	(47,762)	(67,473)

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04/24/13

Accrual Basis

AFFAIRS AFLOAT, INC.**Profit & Loss**

January through December 2013

	<u>W/E 11/15</u>	<u>W/E 11/22</u>
Income Collected	-	-
Total Cash Received	-	-
Expenses to Be paid		
BEVERAGE		
DJ/ENTERTAINMENT		
LAND SPACE RENTAL		
LABOR COSTS		
LIQUOR		
MARINE EXPENSES		
OTHER COST OF GOODS SOLD		
ADVERTISING	-	-
INSURANCE - MARINE	-	5,400
INSURANCE - HEALTH	-	-
INTERNET CHARGES	-	-
PROFESSIONAL FEES	5,000	-
RENT - DOCKAGE**		5,000
RENT - OFFICE	-	-
REPAIRS & MAINT/ TONY WINTER	1,250	1,250
STORAGE	-	-
UTILITIES	-	-
LABOR COSTS - GENERAL AND ADMIN	4,460	4,460
HSBC	-	-
Total Cash paid out	10,710	16,110
Cash Deficit per week	(10,710)	(16,110)
Cummulative Deficit	(78,183)	(94,293)

**At some point during this period we
may need \$20,000 to settle with the Piers